

**STATEMENT OF
COMMISSIONER LARRY S. LANDIS**

In the Matter of High-Cost Universal Service Support, WC Docket No. 05-337; Federal-State Joint Board on Universal Service, CC Docket No. 96-45

In recent weeks, the bulk of the attention by various parties offering ex parte comments in this proceeding has been devoted to certain anticipated aspects of the proposed interim emergency cap which is addressed in today's Recommended Decision. I can appreciate the concern of various parties with regard to how (without knowing the exact parameters of the proposed cap) it might impact them. Much has been said and written about the need for competitively and technologically neutral policies, disregarding the fact that in some respects the current regime is anything but.

The basic facts are inescapable, as set forth in the Recommended Decision. Growth in high cost support on the current trend line is unsustainable. A number of proposals were offered in ex parte filings as alternatives, with the intent of "sharing the pain" among various groups of providers. Those proposals fail to address the fact that for most segments, growth has been virtually flat or even modestly negative in the short run; there is only one group of providers which have seen dramatic and continued growth, and that group is wireless CETCs.

To use an analogy, if you are offering emergency medical treatment to a badly injured person who is bleeding profusely from the arm, you don't address the short-term problem by applying a tourniquet to the patient's leg. Having said that, a tourniquet is not a long-term or permanent solution, and neither is the interim emergency cap.

While the growth is attributable to CETCs, most of which are wireless carriers, they are simply operating under the current laws and rules, once they have received ETC designation. Over the course of the past several months, I have come to a greater appreciation of the extent to which there are wireless companies which operate on a business model targeted primarily to serving rural areas, and which contribute significantly to realizing the goal of providing truly universal service to areas where costs are such that no business case can be made for buildout, absent Universal Service support.

At the same time, there are many rural areas where multiple wireless providers are active. Where there is already competition, we need to make sure we don't inadvertently advantage one company over the others which entered that market based on a competitive, unsubsidized model. Indeed, it may be time to ask if the presence of some minimum number of competitors greater than one in a market is a prima facie indicator that the market is contestable and competitive, and that no universal service support should be rendered to the competing providers in that market.

The states have an obligation and a growing partner role with the FCC as joint stewards in seeing to it that Universal Service funds are appropriately deployed, that legitimate needs are met, but that accountability and performance are audited and demanded.

Now that the interim Recommended Decision has been approved by this body, it is my hope that we can move on to the far more significant and far-reaching issues and potential solutions addressed in the companion Request for Comment.

The Request for Comment raises the question of whether the Joint Board and the Commission should consider adding broadband to the list of supported services. It is my hope that the parties will examine not only the threshold questions (is penetration sufficient for broadband to qualify as a supported service?) but also, if they conclude that broadband should be a supported service, how that can best and most efficiently be implemented. What are the appropriate threshold funding obligations of providers? Of the several states, including (but not limited to) state funds and other incentives? And of the high cost funds? These potential interrelationships require closer examination.

Finally, I appreciate the concerns of those who have suggested that the interim emergency cap will somehow morph into an intermediate or long-term default “patch” to the issues we propose to examine. By explicitly committing to making further recommendations regarding long term, comprehensive high-cost universal service reform within six months, and by proposing that the cap expire one year from the date when such recommendations are offered, I hope that we have convinced interested parties that the Joint Board is determined to address those long term issues in a meaningful, thoughtful and aggressive manner.

If we are to do so, we will need to build a record which is considerably more comprehensive and provides greater granularity than that which we have today. Interested parties simply need to move with dispatch. The clock is running for all parties with an interest in the outcome of this deliberation. As such, the record will be only as robust as the parties make it.